

1. FINANCIAL LIABILITY

Each subscriber should complete a subscription agreement for Services and is responsible for payment for those services, subject to appropriations of their controlling body. The State does not accept liability of non state subscribers (cities, county, local governments, and political subdivision).

2. INVOICING

Each subscriber shall provide billing information (mailing address, contact person, etc.) as requested by the contractor. The contractor shall bill each subscriber monthly for services and equipment, if applicable. The invoice shall reference the MSA number, subscriber's subscription agreement contract number, and month of billing period. The contractor will provide a telephone number, fax number, and address to each subscriber for billing comments or inquiries.

Notwithstanding any other provision in this Contract, any and all fees (including but not limited to Merchant Fees, Surcharges, and processing fees) must be accounted for separate and apart from cardmember payments/revenue stream to the subscriber. Contractor shall invoice the subscriber for fees due; contractor shall NOT deduct or offset fees from cardmember payments to the subscriber or out of the subscriber's settlement (ZBA) account. Any payment due from subscriber shall be made in accordance with, and within the time specified in, California Government Code Chapter 4.5, commencing with Section 927.

3. MERCHANT FEES (DISCOUNT AND PER TRANSACTION FEES)

Effective July 1, 2008 through June 30, 2011, the Merchant Fee (Discount and Per Transaction Fee payable by the Subscriber under the Agreement will be as follows:

	Merchant Fee	Applied % of Merchant Fee	Total Merchant Fee	Per Transaction Fee
<u>Card Present Sales</u>				
Consumer Card Products				
Credit Card Sales	1.69%	100%	1.69%	\$0.00
Premium Card Sales	1.69%	100%	1.69%	\$0.00
Prepaid Card Sales	1.69%	80%	1.352%	\$0.00
Debit Card Sales	1.69%	80%	1.352%	\$0.00
Commercial Card Products				
Commercial Card Sales	1.69%	130%	2.197%	\$0.00
<u>Card Not Present Sales</u>				
Consumer Card Products				
Credit Card Sales	1.85%	100%	1.85%	\$0.00
Premium Card Sales	1.85%	100%	1.85%	\$0.00
Prepaid Card Sales	1.85%	80%	1.48%	\$0.00
Debit Card Sales	1.85%	80%	1.48%	\$0.00

Commercial Card Products

Commercial Card Sales	1.85%	125%	2.3125%	\$0.00
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Internet Card Sales**Consumer Card Products**

Credit Card Sales	1.95%	100%	1.95%	\$0.00
Premium Card Sales	1.95%	100%	1.95%	\$0.00
Prepaid Card Sales	1.95%	80%	1.56%	\$0.00
Debit Card Sales	1.95%	80%	1.56%	\$0.00

Commercial Card Products

Commercial Card Sales	1.95%	125%	2.4375%	\$0.00
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Merchant Fees shall be calculated based on the total dollar amount of Card Sales that have been processed by Discover Network on the subscriber's behalf during the calculation period, which shall be monthly.

4. SURCHARGES

Subscribers may assess a surcharge on a Card Sale conducted using a Credit Card provided that (i) the amount of the surcharge may not exceed the Merchant Fee payable by the subscriber to Discover Network for the Card Sale and/or the surcharge amounts set forth below, and (ii) the subscriber assesses surcharges in the same amounts on card sales conducted using other credit cards accepted by the subscriber, if applicable. The subscriber may not assess a surcharge or other penalty fee of any kind on any other type of Card Transaction or for any Card Sale conducted using a Card other than a Credit Card. The following surcharges will be applied by the subscriber to Card sales involving Credit Cards:

Average ticket \$200.00 or less

Average Ticket	Fee
\$0.00 - \$100.00	\$ 2.00
\$100.01 - \$200.00	\$ 4.00
\$200.01 - \$500.00	\$ 5.00
\$500.01 - \$1,000.00	\$12.00
\$1,000.01 – and up	\$23.00

Average ticket \$200.01 or more

Average Ticket	Fee
\$0.00 - \$500.00	\$ 5.00
\$500.01 - \$1,000.00	\$12.00
\$1,000.01 - \$2,000.00	\$23.00
\$2,000.01 - \$3,000.00	\$38.00
\$3,000.01 – and up	\$50.00

Definitions

For the purpose of the Agreement and this Exhibit B, definitions of the Card products listed in Section 3 are provided below. In the event of a conflict between the terms of the Agreement or the Operating Regulations and the terms defined below, the terms defined below shall govern.

- **“Card”** means (i) A valid payment card bearing a Discover Network Acceptance Mark, Other Acceptance Mark, or such other mark as we may designate from time to time, including in these Operating Regulations and/or on our website, (ii) an access device, including a Contactless Payment Device, approved by us to access a Card Account, or (iii) the corresponding Card Account for a Card Not Present transaction.
- **“Card Not Present”** means a Card Sale or Credit that occurs when neither the Card nor the Cardholder is present at the point-of-sale to conduct the Card Sale or Credit, including Internet, mail-order and telephone-order Card Sales and Credits.
- **“Card Present”** means a Card Sale, Cash Advance or Credit that occurs where the Card and the Cardholder are present at the point-of-sale and the Card is used to conduct the Card Sale, Cash Advance or Credit, as evidenced by our receipt of Track Data in the Authorization Request
- **“Card Sale”** means a sale of goods or services to a Cardholder by you, either in a Card Present environment or as a Card Not Present transaction, either of which is conducted pursuant to your Agreement where the amount of such sale is applied to a Card Account and considered an obligation of the Cardholder.
- **“Commercial”** (regardless of whether capitalized) means a Credit Card or Debit Card issued to Cardholders that the Issuer expects are likely to make purchases primarily for business purposes or that have spending patterns typically associated with commercial use. Commercial Cards are required to offer certain features and Cardholder benefits as specified by Discover Network from time-to-time.
- **“Consumer”**, where used to identify a Card product or type, means Cards issued to Cardholders primarily for personal, family or household purposes.
- **“Credit Card”** (regardless of whether capitalized) means a Card issued to a Cardholder that is associated with an extension of credit by the Issuer.
- **“Debit Card”** (regardless of whether capitalized) means (i) A Card, embossed with the Cardholder's name, that is used by a Cardholder to access funds held by an Issuer or its agent in a demand deposit (checking or share draft), savings or other asset account (whether or not an “account” within the meaning of Federal Reserve Regulation E) established individually for or by the Cardholder that is associated with the Card Account, or (ii) a valid Card Number associated with a demand deposit (checking or share draft), savings or other asset account (whether or not an “account” within the meaning of Federal Reserve Regulation E) established individually for or by the Cardholder that is associated with the Card Account, that may be used by the Cardholder for Card Not Present Card Sales.

- **“Discover Network Acceptance Mark”** means the mark(s) published by us on our website that are owned by us or one of our Affiliates, as the same may be revised by us from time to time, you shall display to demonstrate Card acceptance.
- **“Discount”** means the component of your Merchant Fee that is calculated as a percentage of Card Sale amounts.
- **“Other Acceptance Mark”** means an acceptance mark other than the Discover Network Acceptance Mark that appears on a Card as approved by us from time to time and disclosed in writing to the Merchant, including by publication on our website.
- **“Per Transaction Fee”** refers to the part of the Merchant Fee that is a fixed amount we assess to you for each Card Sale or each Card Sale and Credit, as applicable, accepted by you.
- **“Premium”** or **“Premium Credit Card”** (regardless of whether capitalized) means a Credit Card product issued to Cardholders that the Issuer expects are likely to have higher than average income, volume and/or amount of annual purchases. Premium Credit Cards are required to offer certain features, Cardholder benefits and a rewards program, as specified by us from time to time.
- **“Prepaid Card”** (regardless of whether capitalized) means an Identity Known Prepaid Card or a Prepaid Gift Card.
- **“Prepaid Identity Known Card”** or **“Identity Known Prepaid Card”** means a Card, held by a Cardholder whose identity is known to the Issuer, whether or not the Card is embossed with the Cardholder’s name, that is used by a Cardholder to access funds held by the Issuer or its agent in a pooled account established for the benefit of multiple Cardholders, each with a sub-account that is associated with each Card. Identity Known Prepaid Cards may be issued in the form of a paper receipt, email, or other non-card means that can be used as a “virtual Prepaid Card” by the Cardholder for Card Not Present Card Sales.
- **“Prepaid Gift Card”** means a Card, which is not embossed with the Cardholder’s name and with respect to which the Issuer does not know the identity of the Cardholder that is used by a Cardholder to access funds held by the Issuer or its agent in a pooled account established for the benefit of multiple Cardholders. A Prepaid Gift Card may be issued in the form of a paper receipt, email, or other non-card means that can be used as a “virtual Prepaid Card” by the Cardholder in Card Not Present Card Sales. A non-reloadable Card with respect to which the identity of the Cardholder is known to the Issuer solely because the Cardholder registered the Card with the Issuer or its agent for the Cardholder to be eligible to receive a replacement Card in the event the original Card Plastic is lost or stolen shall constitute a Prepaid Gift Card.